



The Real Estate ANALYST

JULY 31
1946

Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

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VOLUME XV

REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

REGIONAL DIFFERENCES IN CONSTRUCTION COSTS

THERE are no good figures available on the fluctuations of construction costs by cities. The spread in this report is probably conclusive proof that this is true. The figures charted by a solid blue line are based on compilations made by the Home Loan Bank Board. In St. Louis we show both the figures based on the Home Loan Bank Board and the figures on the standard frame house computed by our own organization over the same period. The house used by the Home Loan Bank Board is practically identical with the house on which our cost figures go back to 1913.

Both the Home Loan Bank Board figures and the figures compiled by our organization assume that the materials for the house are purchased at legal prices, although we realize that a considerable volume of building has been done with black market products, particularly in lumber.

It seems to us that the Home Loan Bank Board figures are too low in practically all cities as we think that it would be impossible to build the building in most of these cities for this estimated cost.

Apparently the Home Loan Bank Board realizes that its figures are not too reliable as it formerly published them on a cost-per-cubic-foot basis but in the past several years it has discontinued this and it now publishes them only on an index-number base. We have recomputed them on a cubic-foot basis for all cities.

A comparison of the two lines in St. Louis will show that as a general thing during the last few years the two lines have run in a fairly parallel fashion, but with our figures considerably higher than the Federal Home Loan Bank Board figures. However, in 1946 the Federal Home Loan Bank Board shows a drop in construction costs in St. Louis, while our index shows an increase. It seems hard for us to believe that a drop of the type they show could have come about as the actual materials sold at retail and delivered on the job in St. Louis have shown a rise at the same time that some labor costs were advancing.

It will be noticed that in St. Louis the Home Loan Bank Board figures and our figures were in agreement at one time but that the discrepancy between the two has widened until now it represents a sizable percentage.

In October 1940 we computed the cost of building this same house in New Haven, Connecticut, and it was computed there on exactly the same basis we

(cont. on page 204)

APARTMENT BONDS RISING RAPIDLY

THE index on Apartment Bond Prices, given in table form and charted below, attempts to measure prices since 1931. It was found impossible to carry the index back further as in most cases, prior to 1931, the market for real estate bonds was artificially supported by the underwriting house regardless of the condition of the individual property. The declines in all issues came at the time when the underwriters stopped supporting the market.

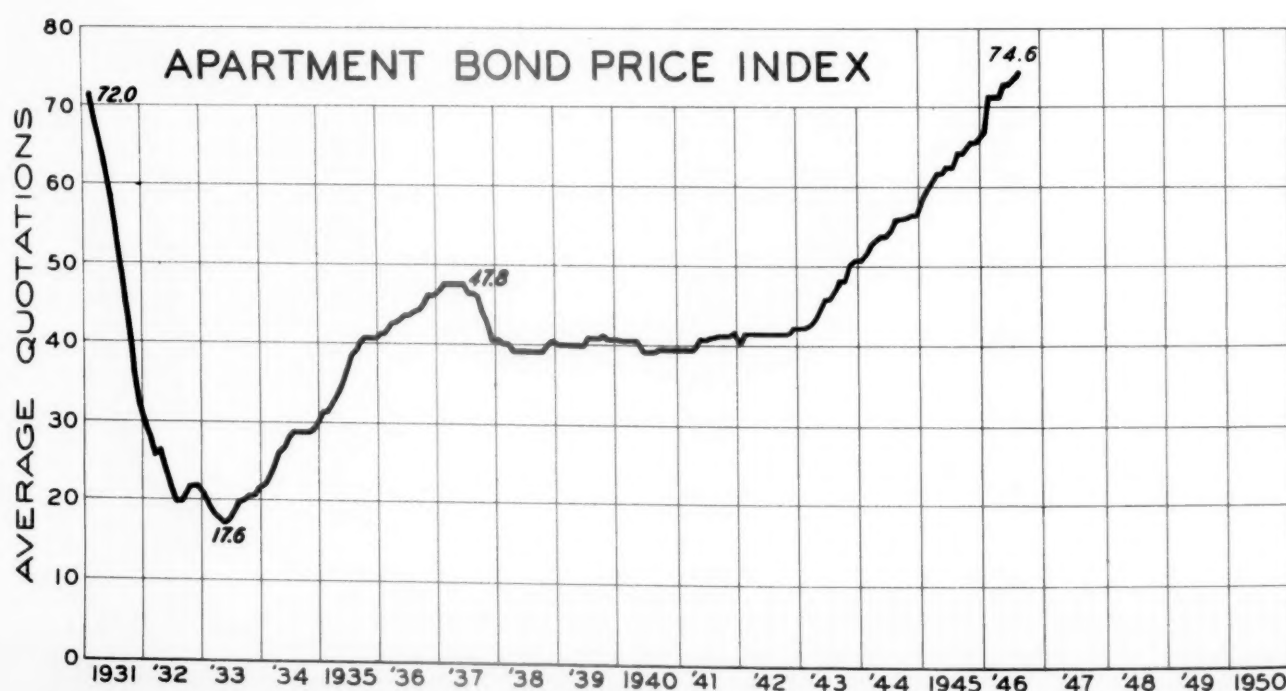
The 25 issues selected for this index cover properties in 14 cities. These particular issues were selected because they are sufficiently active to secure regular quotations. Issues with complicated reorganization plans have been avoided.

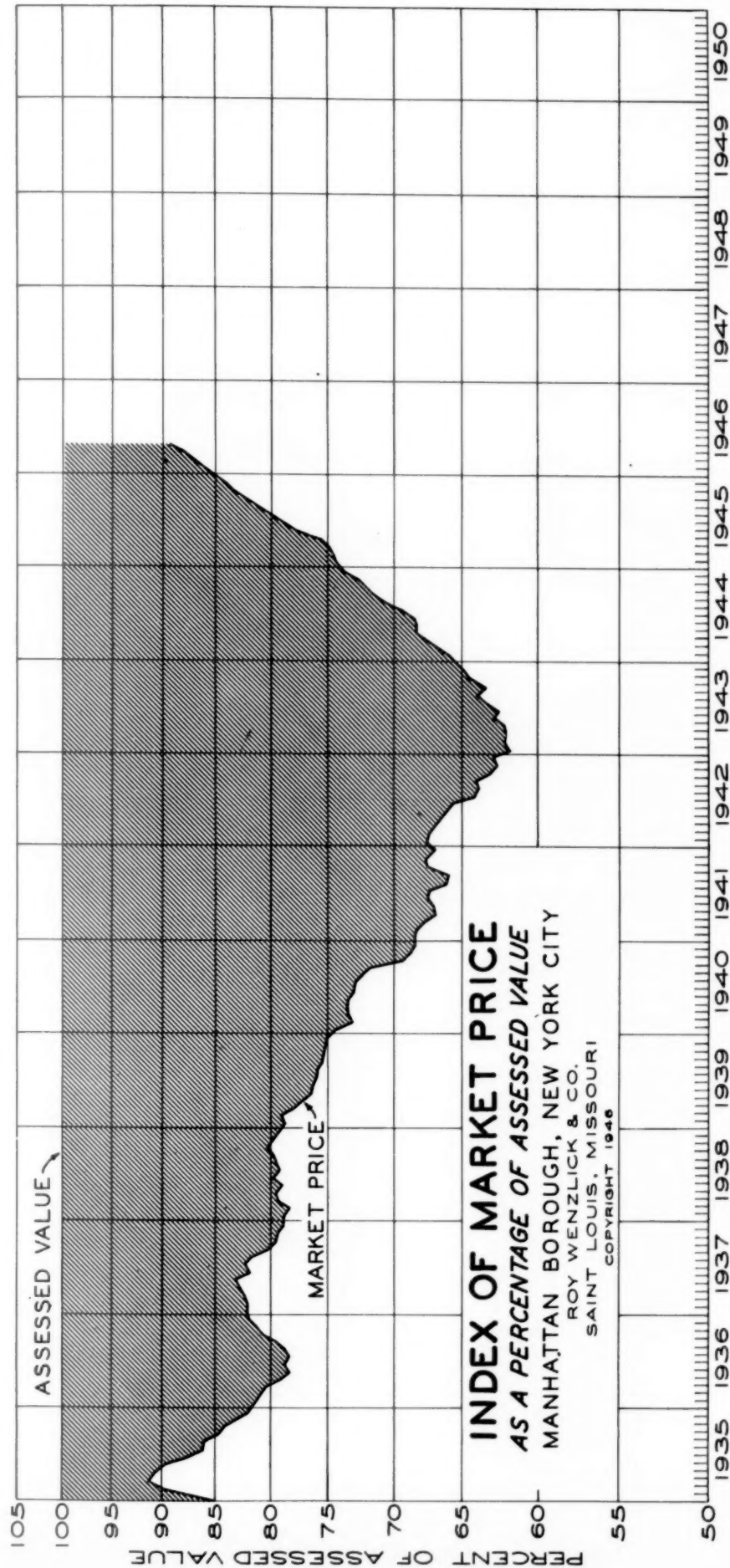
Apartment bonds have increased by 64 per cent since the war started in Europe. During the past year they have increased 14.7 per cent. They are now 281 per cent above the low of 1933.

These rises in apartment bond prices have been made in spite of rent control. In a free market the rise would have been much greater.

INDEX OF APARTMENT BOND PRICES

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946
1	72.0	28.0	19.8	23.1	31.7	41.4	47.8	40.2	40.2	40.6	39.8	41.5	42.5	51.9	59.6	71.8
2	69.1	26.3	18.6	24.0	32.7	42.6	47.8	40.2	40.2	41.0	39.8	41.5	43.1	53.0	60.8	71.8
3	66.3	26.8	18.0	26.1	33.7	43.0	47.8	39.4	40.2	41.0	40.0	41.5	43.6	53.5	62.0	71.8
4	63.6	24.7	17.6	26.9	35.0	43.4	47.8	39.4	40.2	41.0	40.8	41.5	44.9	54.0	62.0	73.2
5	59.2	22.2	18.0	28.2	36.8	43.8	47.8	39.4	40.2	39.4	40.8	41.5	46.2	54.0	62.6	73.2
6	54.4	20.0	19.6	29.0	38.7	43.8	46.9	39.4	41.0	37.6	41.2	41.5	46.2	55.1	62.6	73.9
7	50.1	20.0	20.0	29.0	39.5	44.2	46.9	39.4	41.0	38.2	41.2	41.5	47.4	56.3	64.5	74.6
8	45.6	20.6	20.2	29.0	40.6	44.6	46.4	39.4	41.0	39.8	41.4	41.5	48.4	56.3	64.5	
9	41.5	22.0	20.8	29.0	41.0	45.5	44.5	39.4	41.4	39.8	41.4	41.5	48.4	56.5	65.1	
10	36.5	22.0	20.8	29.3	41.0	46.4	43.2	40.2	41.0	39.8	41.4	41.7	50.4	56.8	65.8	
11	32.1	21.7	21.6	29.9	41.0	46.4	40.6	40.6	41.0	39.8	41.8	42.5	50.9	56.8	65.8	
12	29.2	20.8	22.0	31.4	41.4	47.3	40.6	40.2	41.0	39.8	40.5	42.5	50.9	58.5	67.1	





THE chart above shows the relationship of the market price of all open-market sales of real estate on Manhattan Island to the assessed value at the time of the sale. During the period prior to 1943 the assessed values on many of these properties were dropping. This means that the drop in market price in relationship to assessed value from 1935 to 1943 was not so great as the actual drop in market price.

In the spring of 1935 the market price of typical properties being sold in Manhattan averaged 91% of assessed values. By January 1943 a typical prop-

erty was bringing 61.8% of its assessed value.

Since January 1943 there has been a marked improvement in Manhattan real estate. With comparatively few reversals the trend has been consistently up. This is the result of the housing shortage plus the fear of inflation. The last figure shows that Manhattan real estate has been changing hands at 89.3% of the assessed value.

We believe that real estate values on Manhattan will continue up during the balance of this year.

(cont. from page 201)

computed in St. Louis. Our cost per cubic foot was 30.0¢ against the Federal Home Loan Bank Board figure of 25.5¢. We have also computed the same house for Bridgeport, Connecticut, and for Rochester, New York, but the Federal Home Loan Bank Board does not have figures on those cities.

We have the greatest sympathy with the difficulty experienced by the Federal Home Loan Bank Board in trying to get reliable figures. We have attempted the same thing time after time and each time without results which we considered satisfactory. That is the primary reason why we have attempted to construct as nearly perfect an index as possible of construction costs on the one type of building in St. Louis over a long period of years. We felt that a single index which could be checked, item by item, was of greater value than indexes on a large number of cities, most of which did not represent what was actually taking place.

We do think, however, that there is some value in this spread of charts on 80 cities, or we would not run it. It seems to us that it makes possible a rough comparison of the situation in St. Louis with the situation in other communities. One word of warning, however, should be given and that is that the figures on all cities do not end with the same month. In fact, in some cities detailed figures have not been available for several years.

The house pictured is a six-room frame dwelling. The design is simple and efficient. The interior arrangement can be considered fair, and the construction is average in quality. The plans and specifications call for concrete foundations, concrete basement and garage floors; concrete slabs for front and rear stoops; frame exterior walls with 3/4" x 10" redwood siding, with stucco gable ends; three coat plaster walls; oak flooring; pine B & B trim; 1-3/8" six panel #1 pine doors; tile wainscot and floors in bathroom and lavatory; two kitchen cabinets; 266 lbs. asphalt shingle roof with copper gutters and downspouts; modern bathroom fixtures; hot water heat; modern electrical installation; insulation in exterior walls and second floor ceiling.

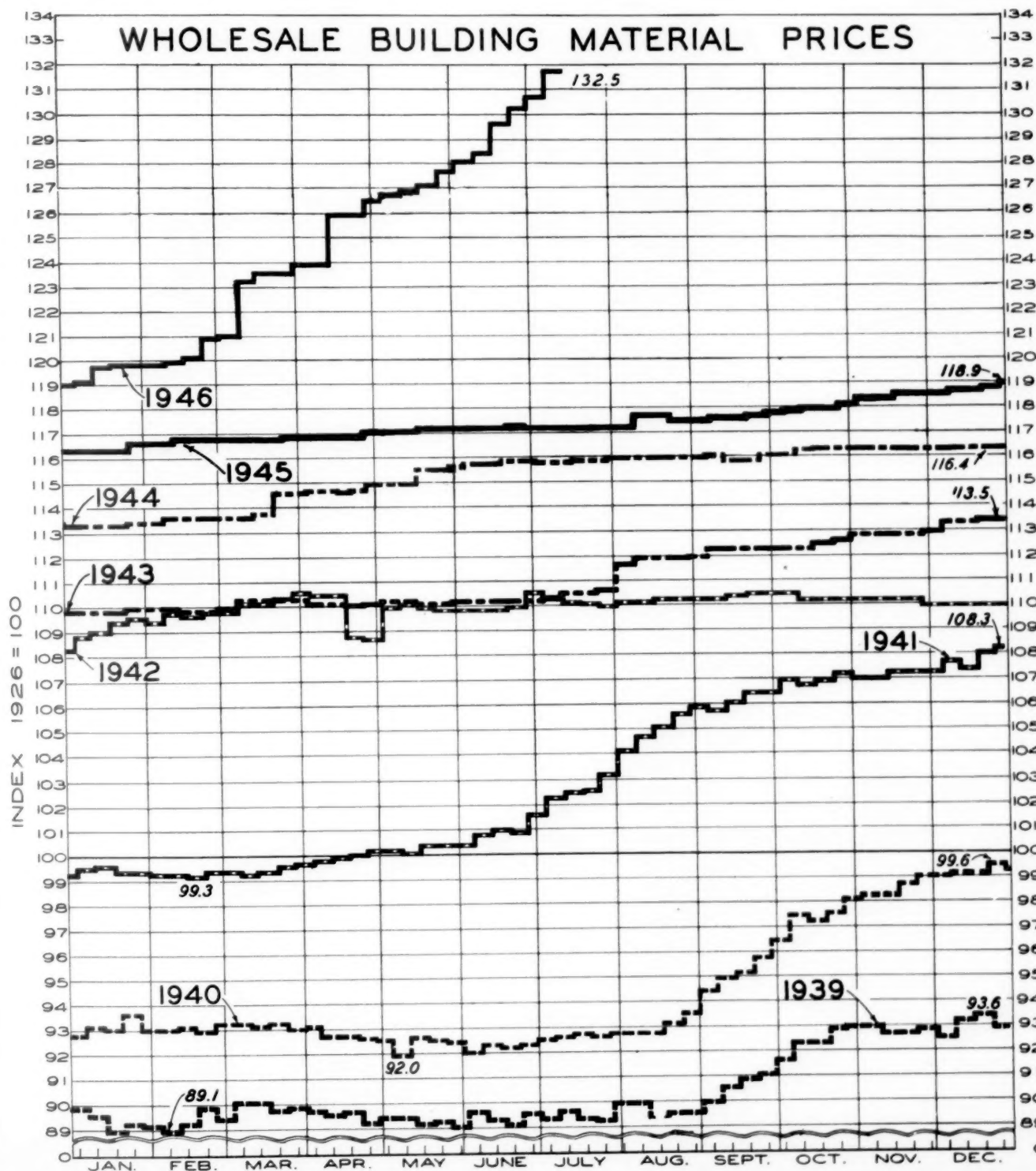
The house is not completed ready for occupancy; it includes all fundamental structural elements, an attached one-car garage, an unfinished cellar and an unfinished attic. It does not include wallpaper nor other wall or ceiling finish on interior plastered surfaces, lighting fixtures, refrigerators, water heaters, ranges, screens, weather stripping, nor window shades.

The cost of the land is not included nor surveying the land, the cost of planting the lot nor of providing walks and driveways. The architect's fee is not included, nor is the cost of a building permit, the financing charges, or the sales cost.

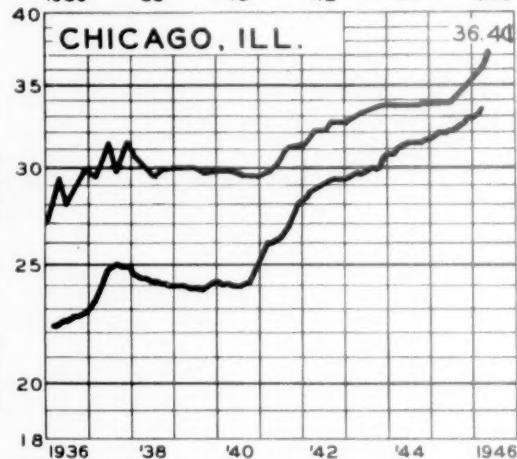
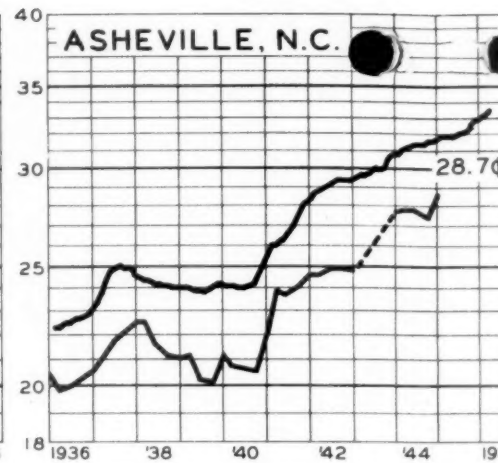
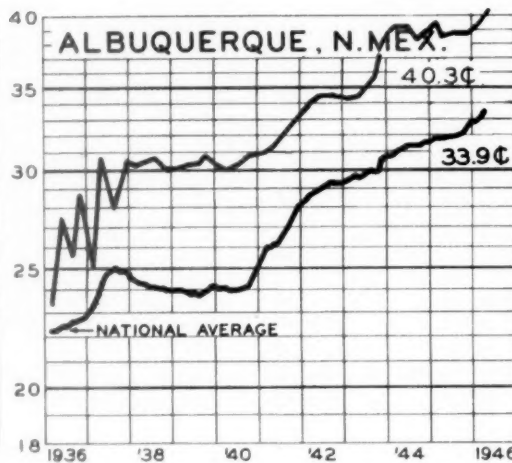
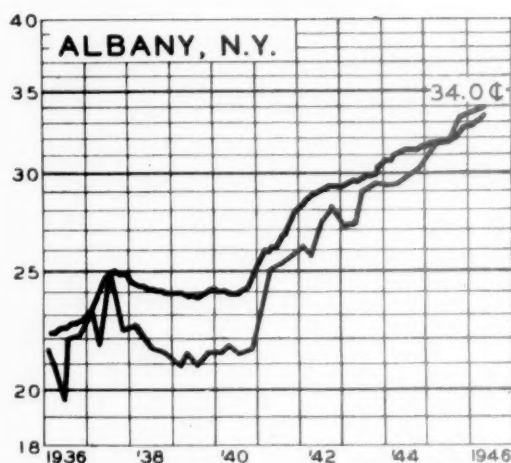
In the thirty-three years for which these figures are available for the St. Louis house many changes have necessarily been made in the specifications from time to time. Copper guttering, downspouts and flashing have been in and out several times because of the first and second World Wars. Whenever any material was unavailable the best substitute obtainable was figured.

BUILDING MATERIAL PRICES

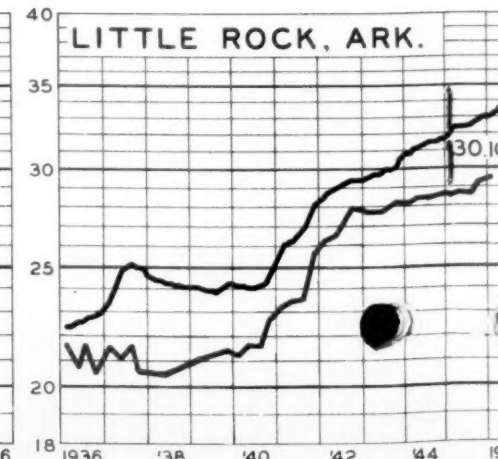
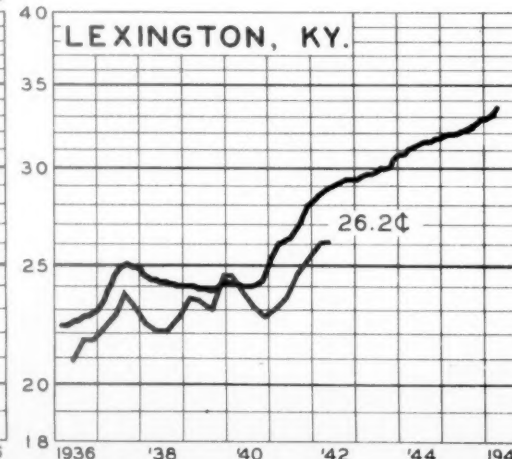
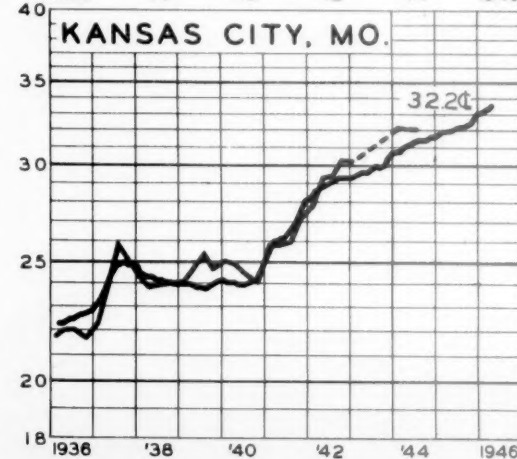
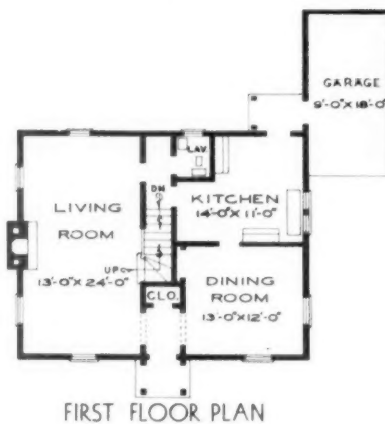
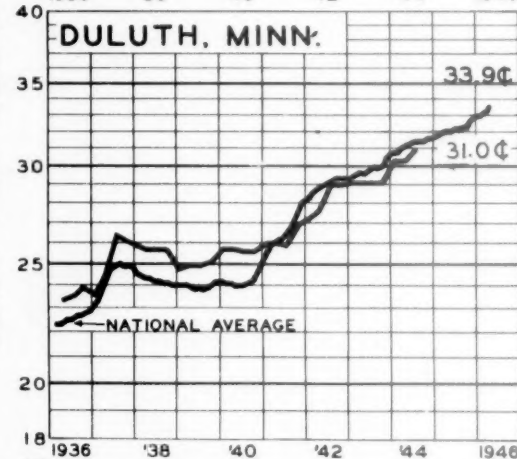
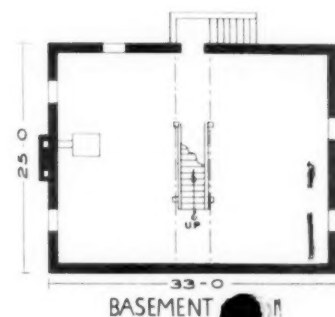
THE chart below shows the Bureau of Labor Statistics index of the prices of building materials at wholesale from 1939 through the third week of July of this year. The war started the last of August 1939 and immediately the prices of building materials started rising. This rise, however, did not continue past October and prices then leveled off. During the greater part of the time covered by the chart the movement of wholesale prices can best be typified by saying that they drifted slowly upward. With the resumption of building activity in 1946, even under OPA controls, prices have been moving up rapidly. This rise has not stopped. It seems to us that we will not hit the highest prices for building materials until some time in 1947.



COST PER CUBIC FOOT IN CENTS

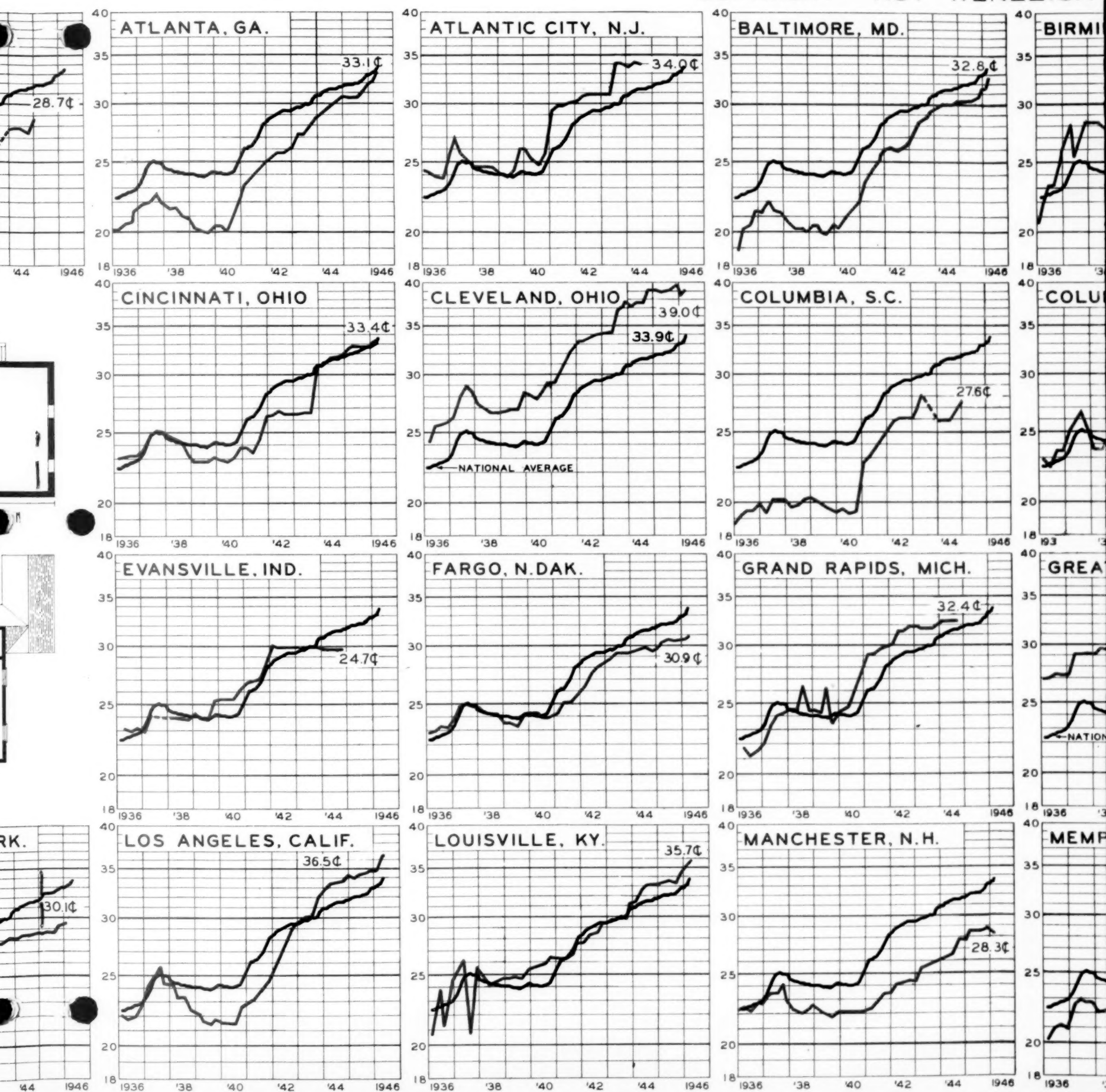


25,376 CUBIC FEET



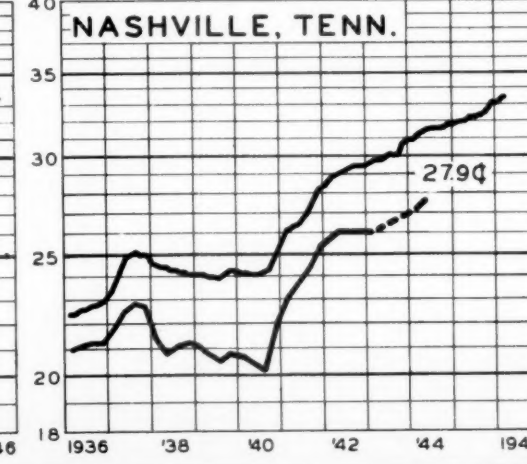
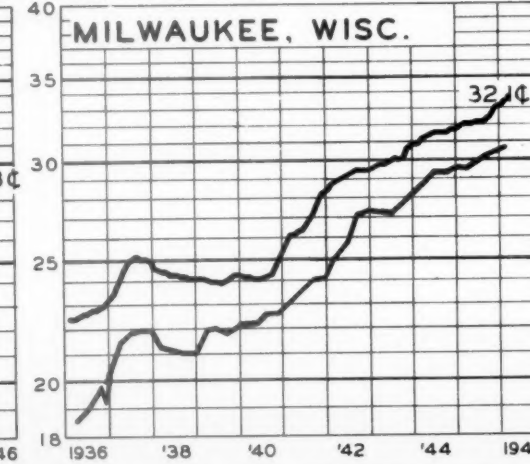
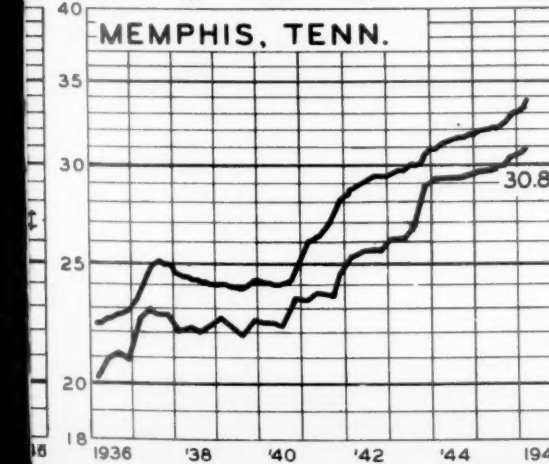
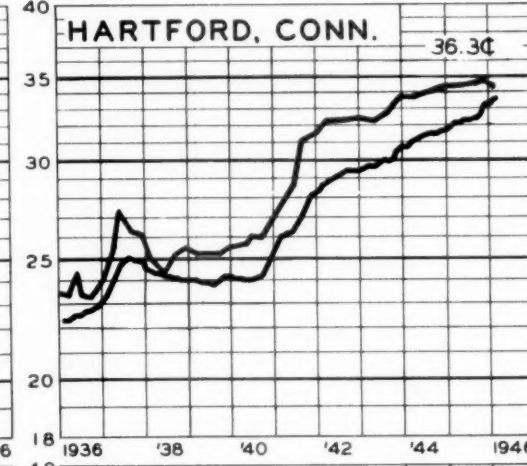
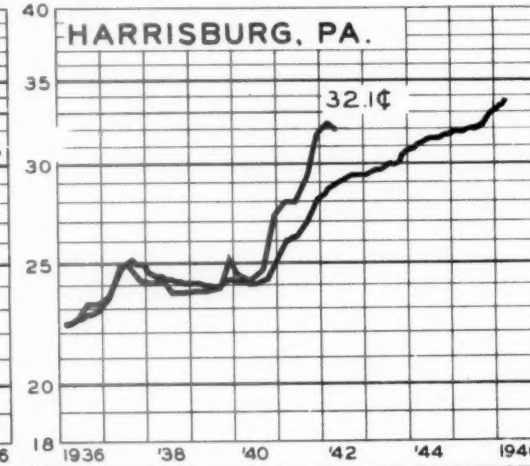
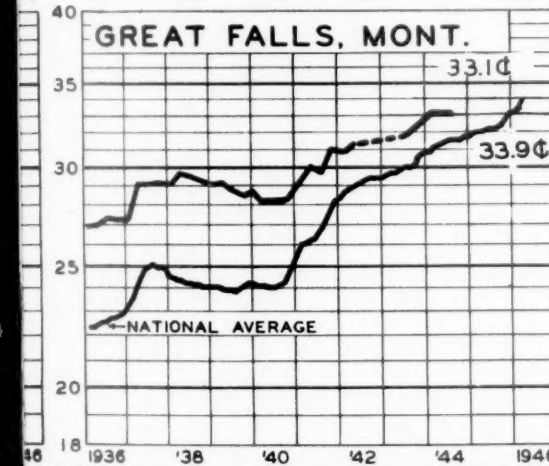
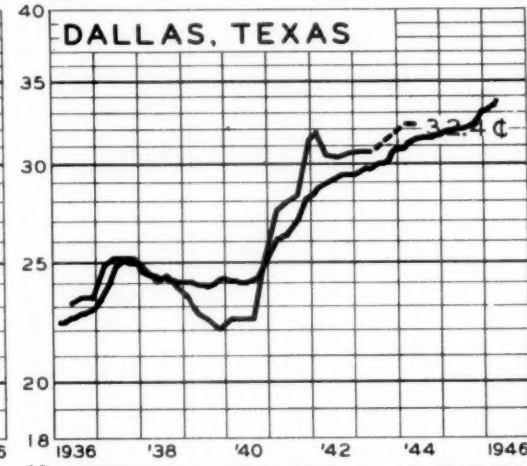
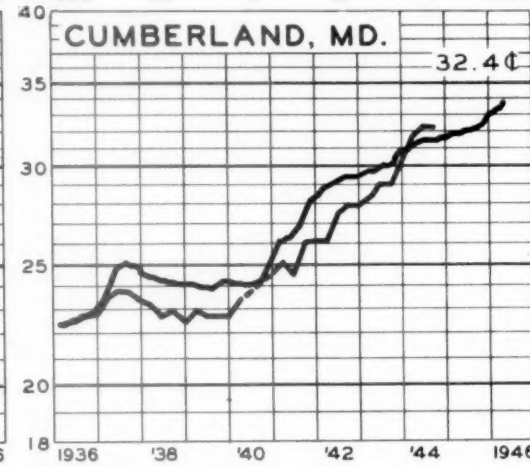
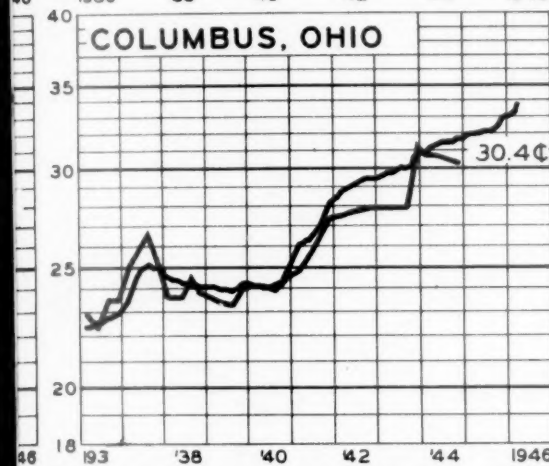
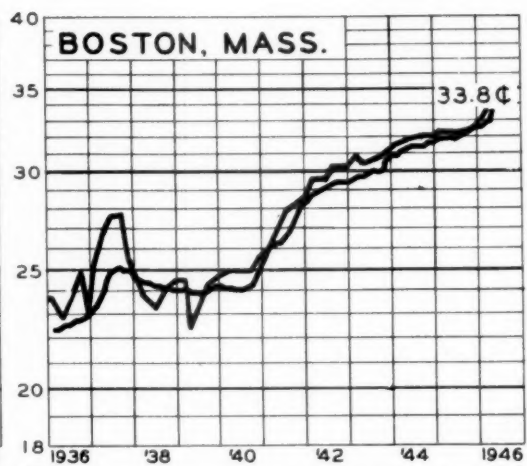
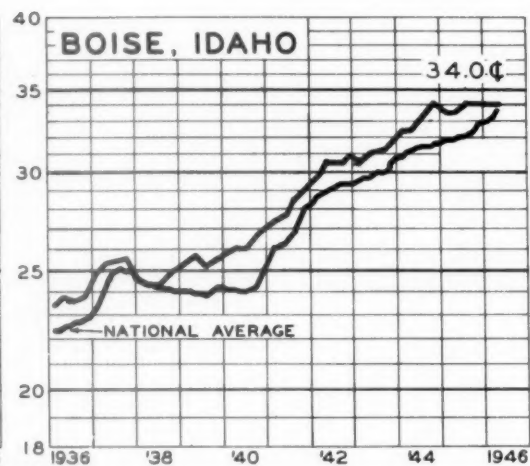
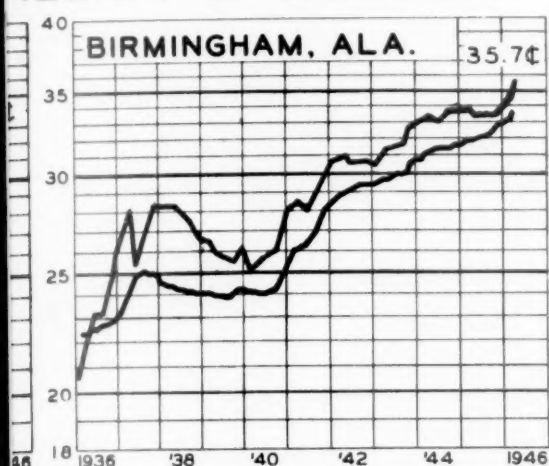
FLUCTUATIONS IN CONSTRUCTION COSTS

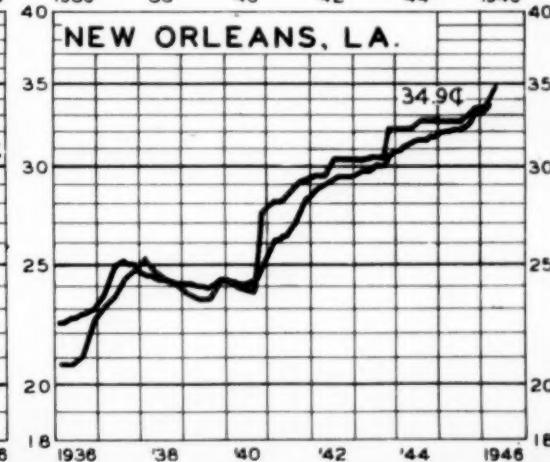
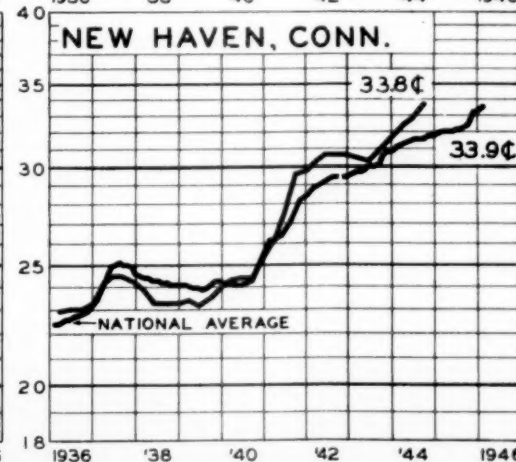
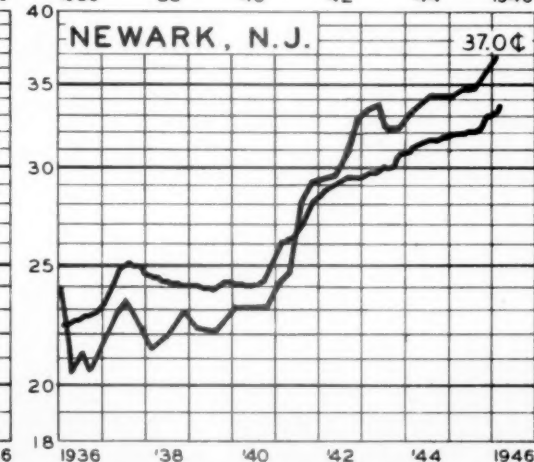
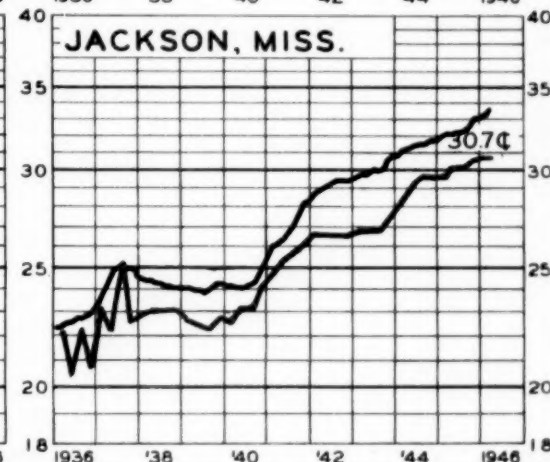
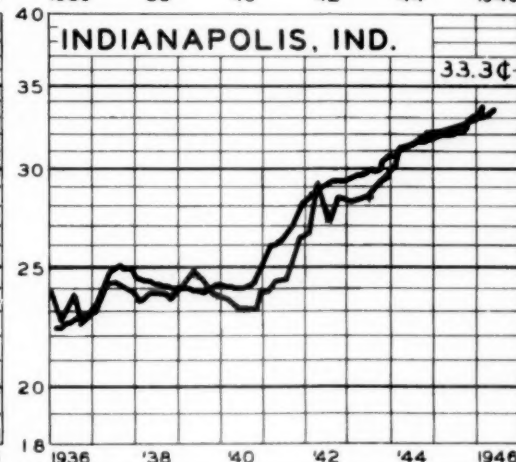
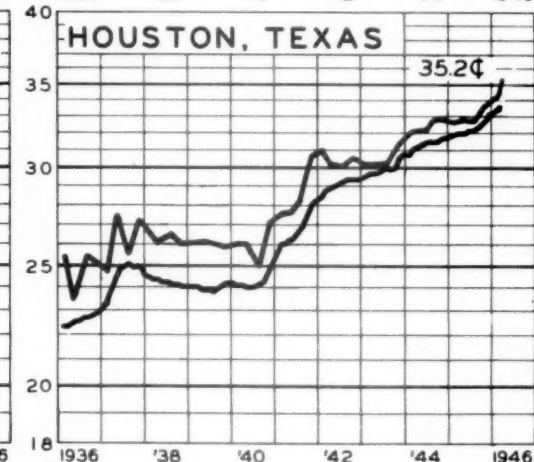
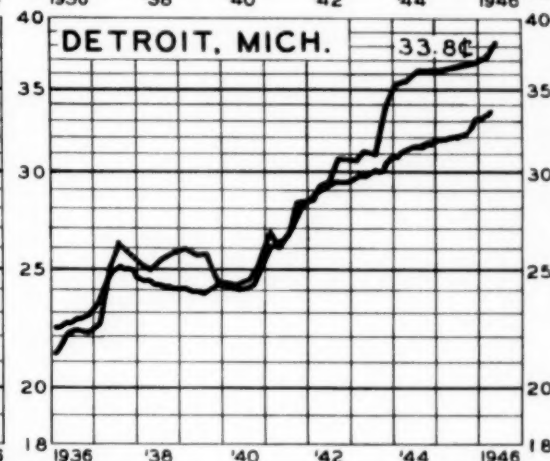
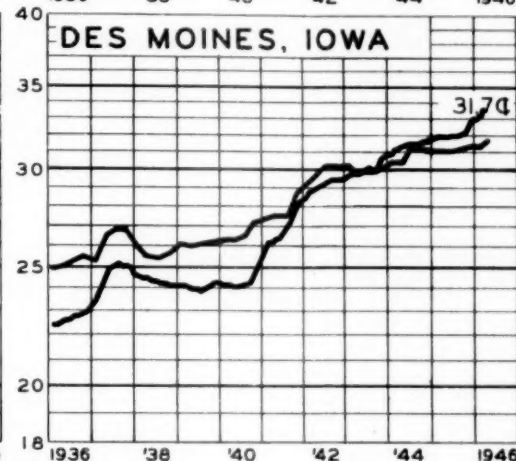
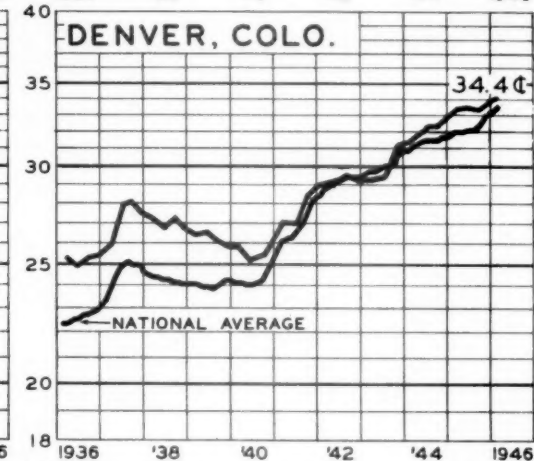
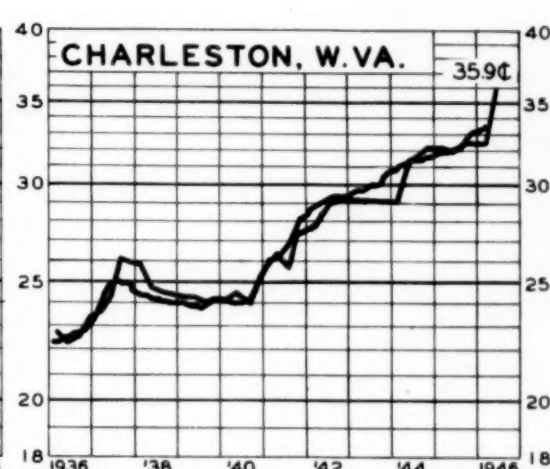
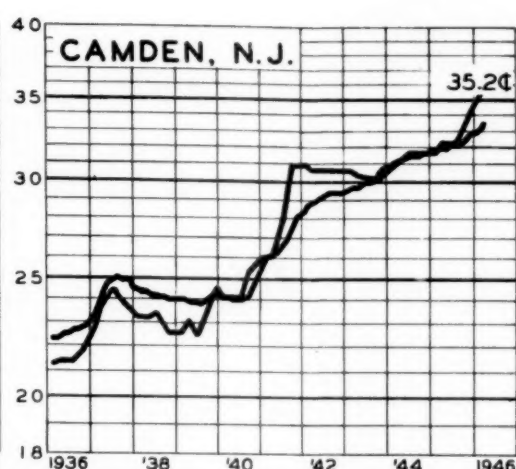
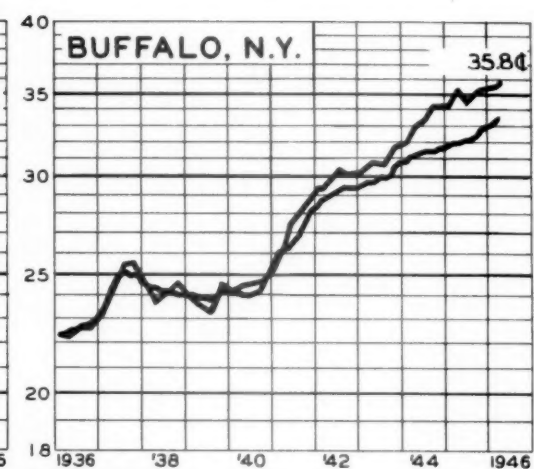
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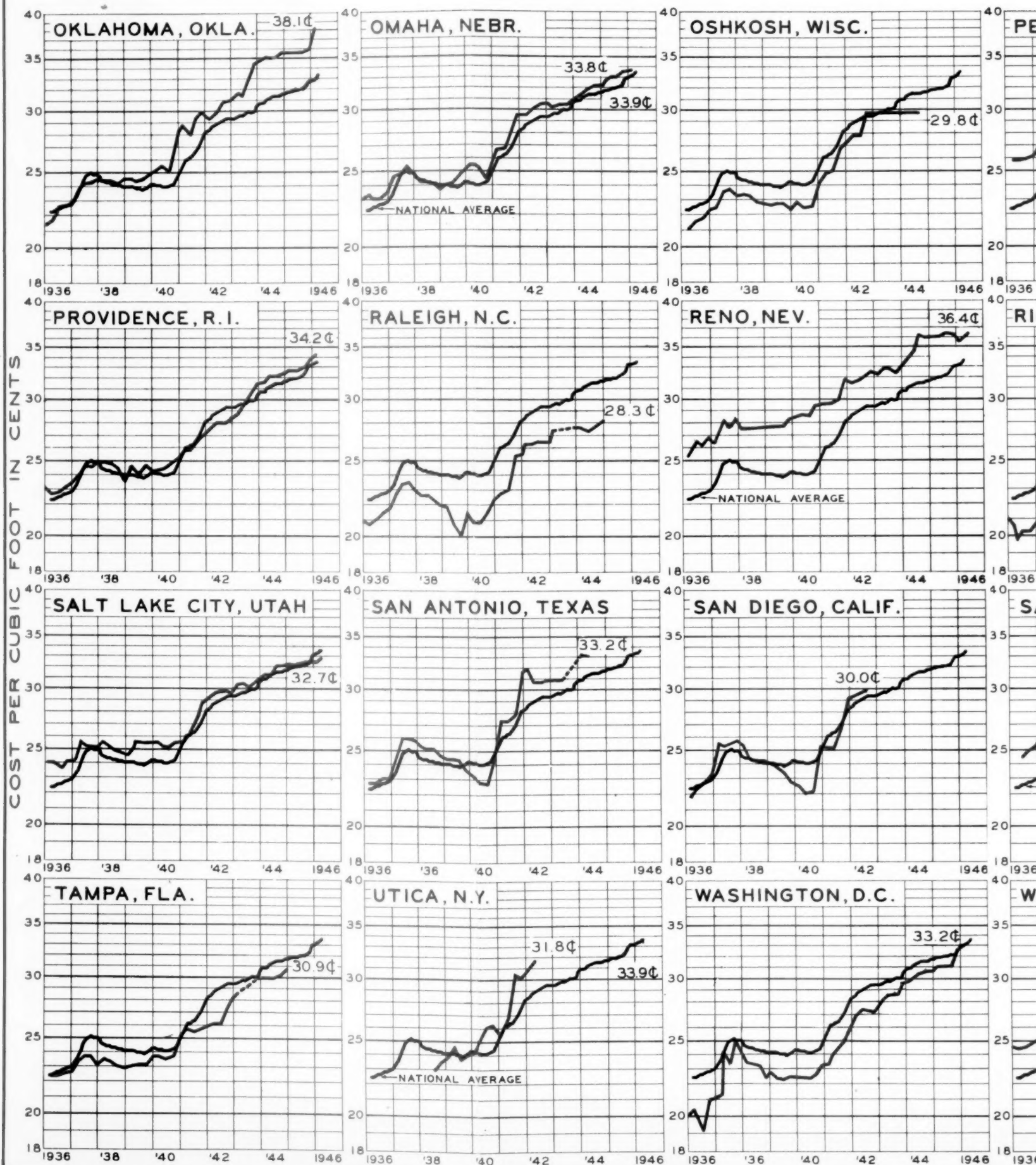
COSTS PER CUBIC FOOT IN 80 CITIES

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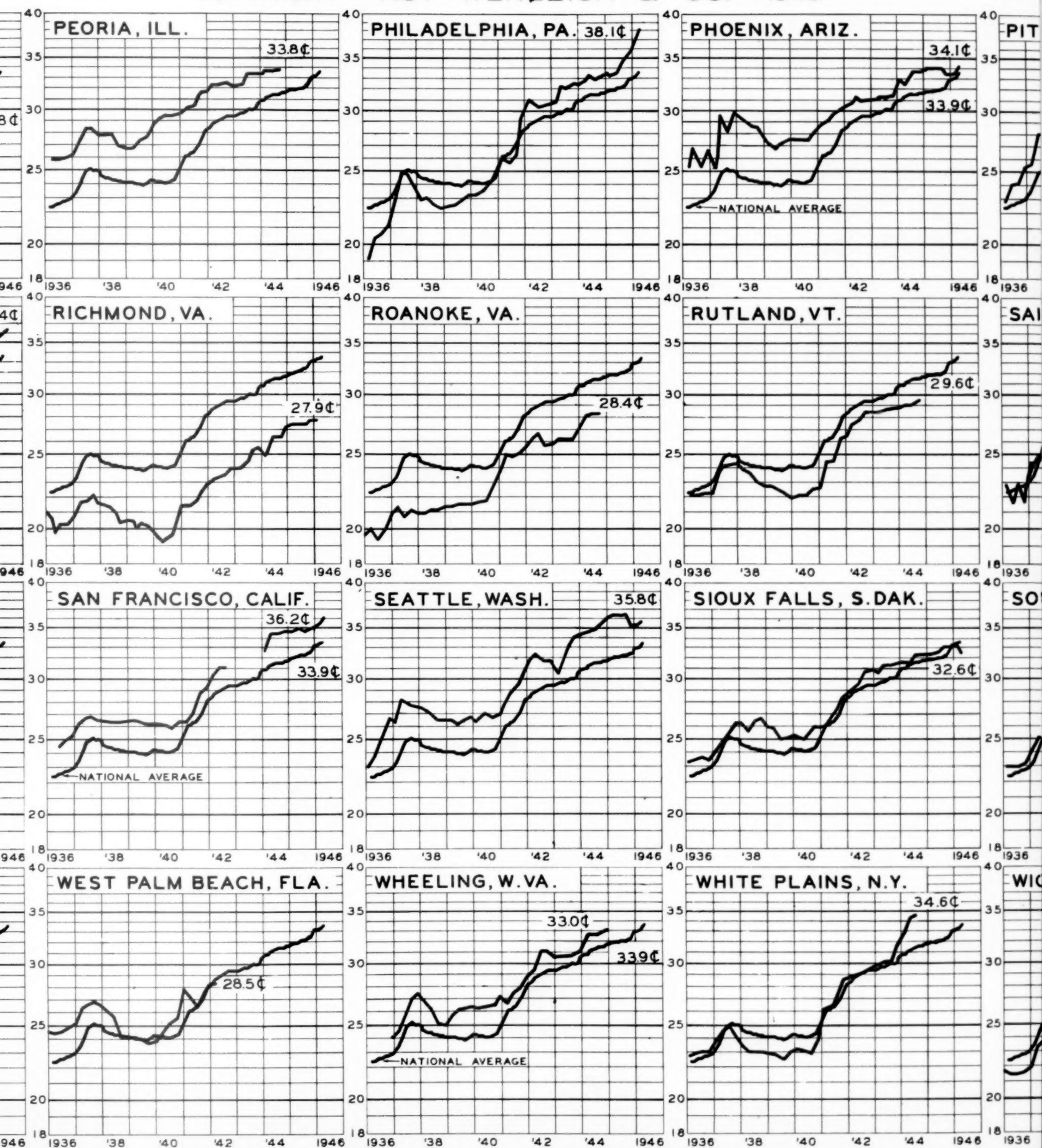


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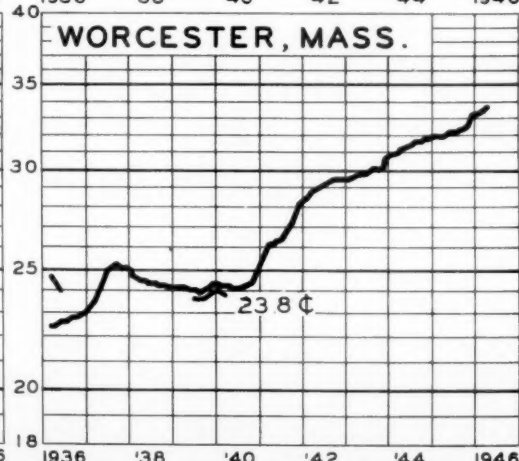
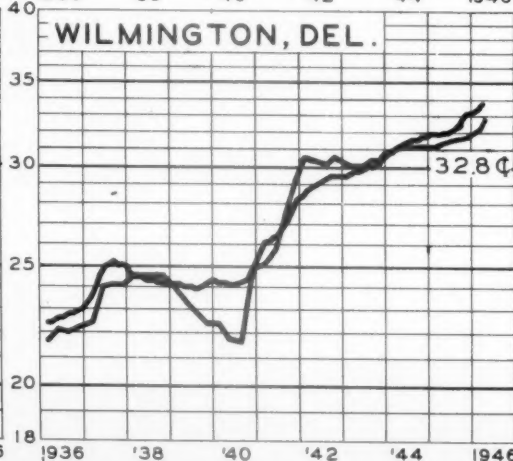
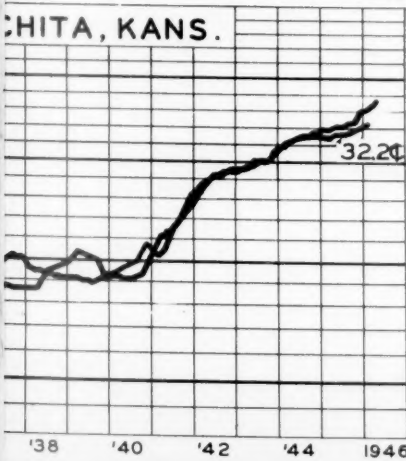
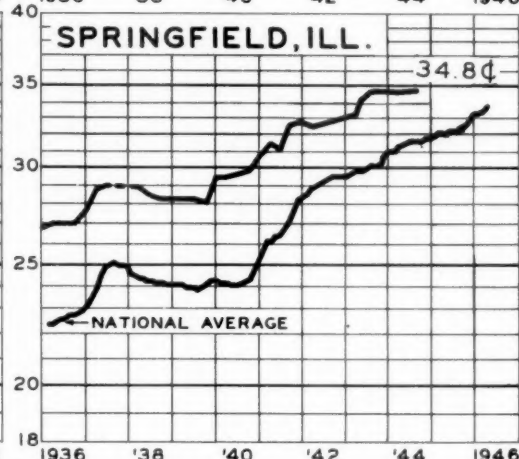
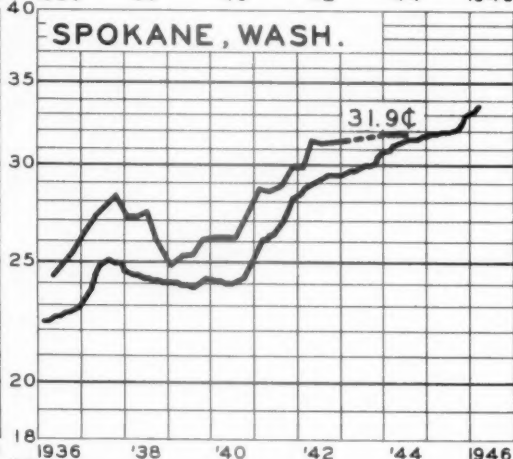
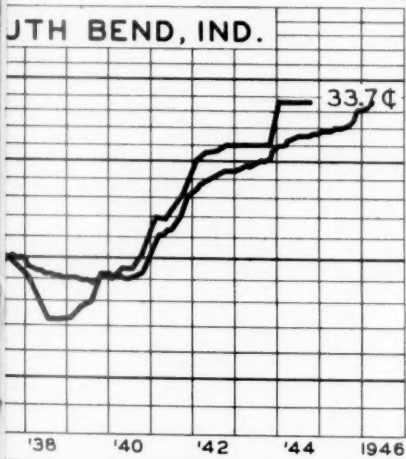
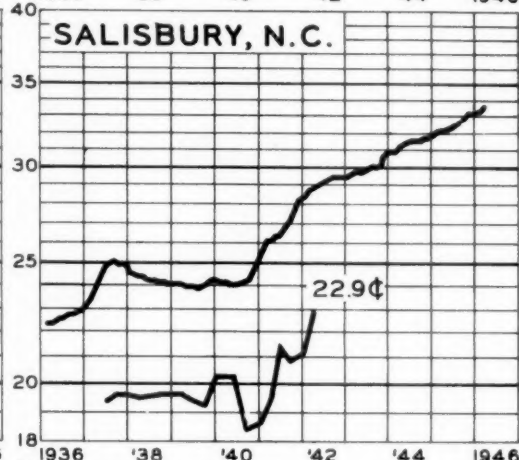
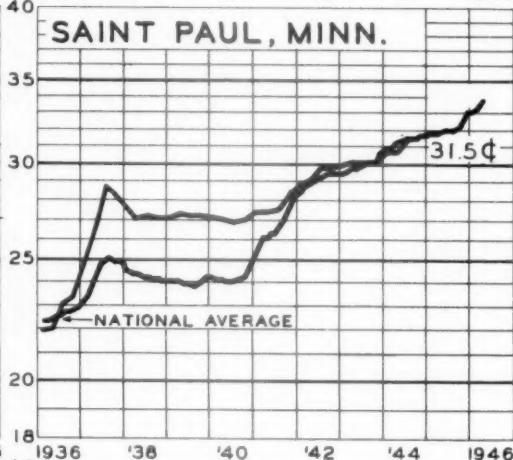
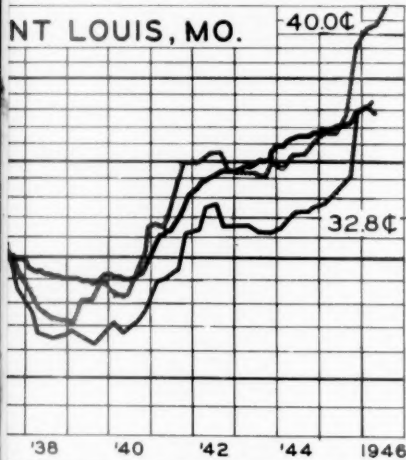
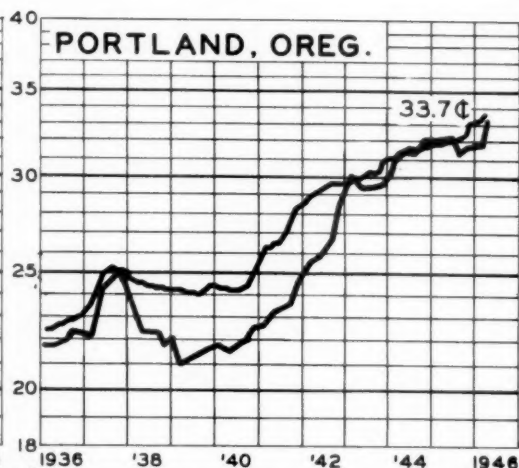
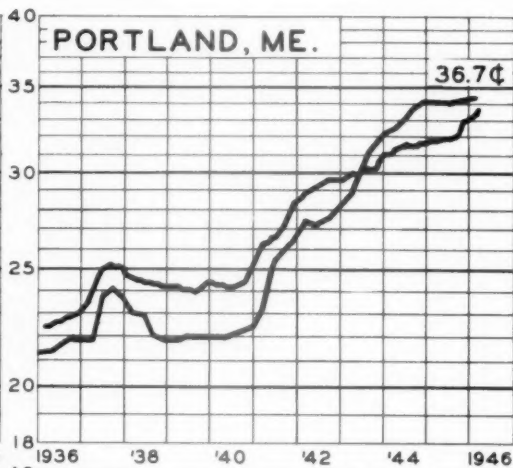
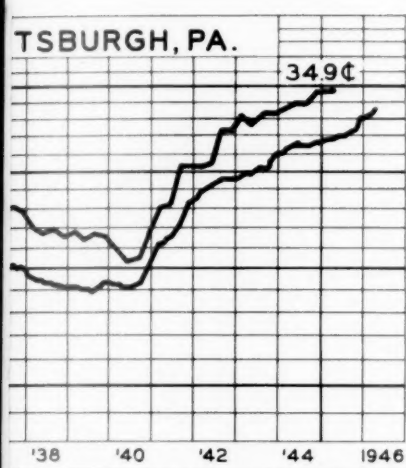


CONSTRUCTION COSTS PER CUBIC FOOT

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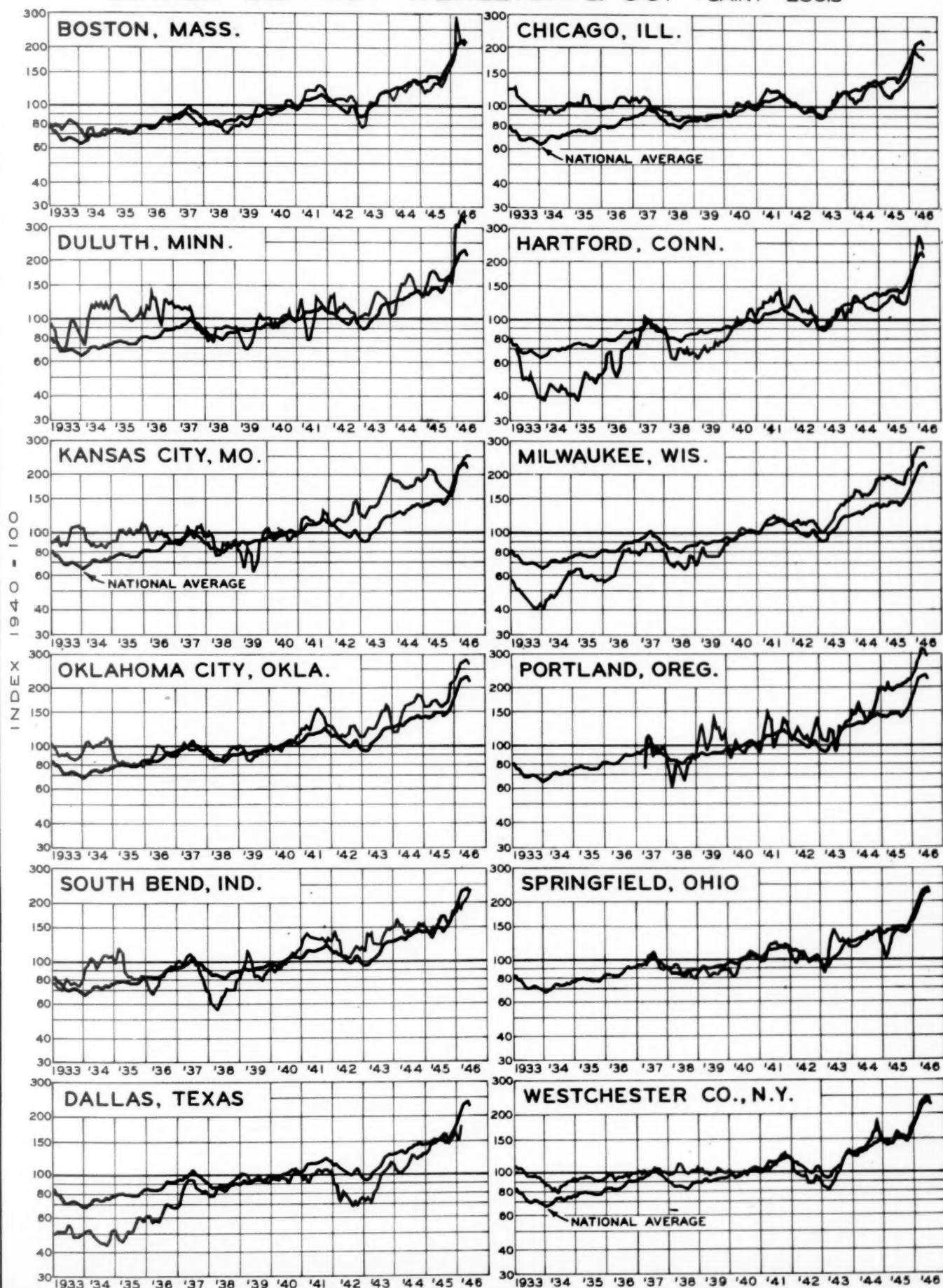


T IN 80 CITIES



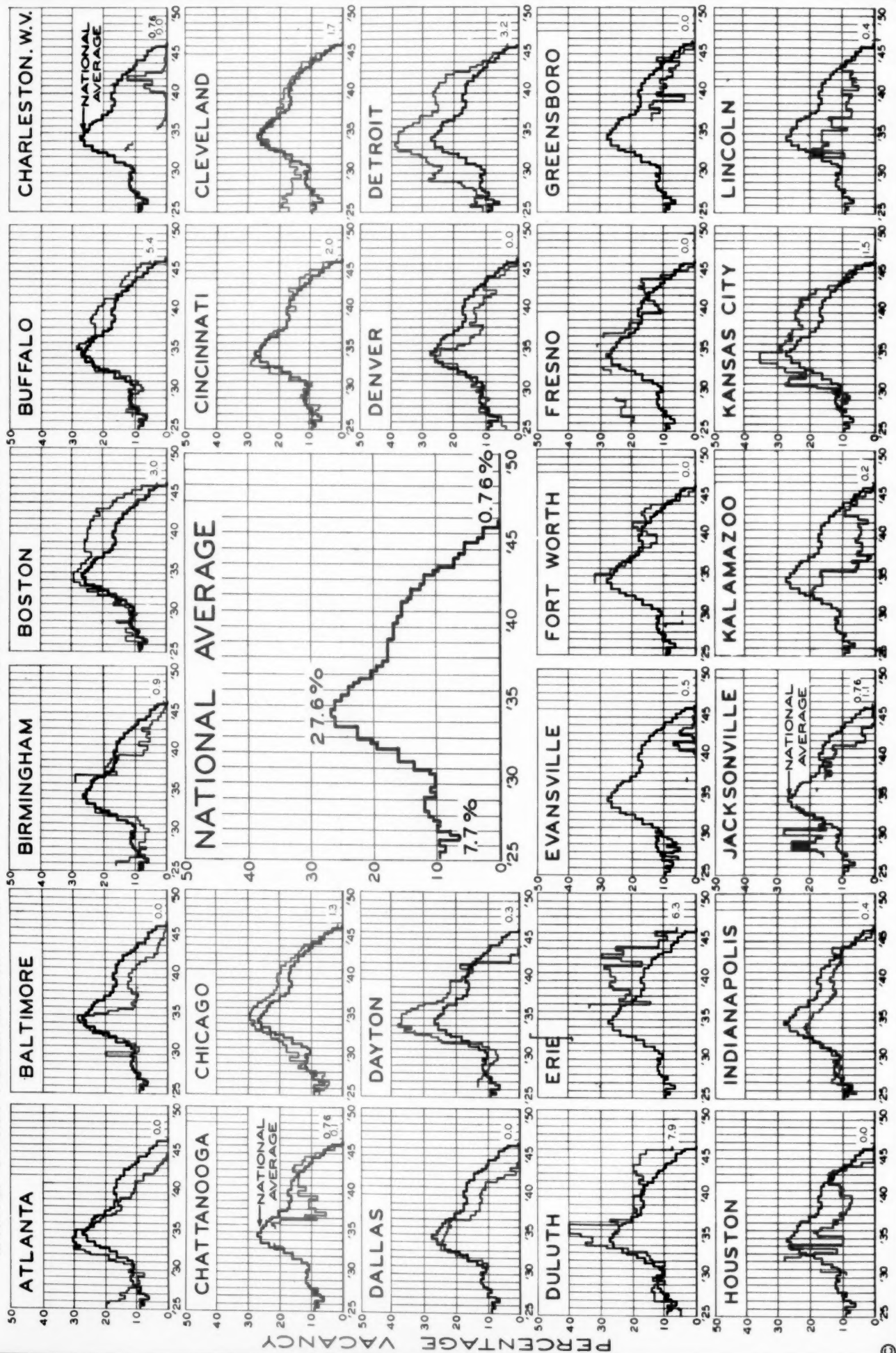
REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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